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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 5, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

v.

CASE NO. INS000089

UNION OF AMERICA MUTUAL
INSURANCE COMPANY,

Respondent.

FINAL ORDER TERMINATING RECEIVERSHIP
AND DISCHARGING THE DEPUTY
RECEIVER AND THE
SPECIAL DEPUTY RECEIVER

ON A FORMER DAY came Alfred W. Gross, Commissioner of Insurance, Bureau of Insurance, State Corporation Commission, in his capacity as Deputy Receiver ("Deputy Receiver") of Union of America Mutual Insurance Company("Union"), the Respondent in this action, and filed with the State Corporation Commission ("Commission") a Final Report and Application for Order Terminating Receivership and Discharging the Receiver, Deputy Receiver, and Special Deputy Receiver ("the Application").

The relief sought in the Application is an order:

- (1) fixing the amount of all claims against the assets of Union;
- (2) forever barring any and all other claims of any type against the assets of Union;
- (3) authorizing a distribution of the

assets of Union to the claimants with approved claims; (4) authorizing the destruction and retention of records of Union; (5) authorizing the payment of the closing expenses of the Deputy and Special Deputy Receiver; and (6) approving and ratifying the actions of the Deputy Receiver, Special Deputy Receiver, and their agents, employees, accountants, and attorneys, and discharging them from any further authority or responsibility in connection with the receivership proceedings for Union.

Based upon the Commission's records, the prior filings in this proceeding, and the representations of counsel for the Deputy Receiver, it appears to the Commission as follows:

1. Union is a corporation organized and existing as a mutual assessment property and casualty insurer under the laws of the Commonwealth of Virginia. Union has no capital stock, no insurance currently in effect, and thus no members as that term is defined in Article 3, Chapter 25 of Title 38.2 of the Code of Virginia.

2. By order of the Circuit Court of the City of Richmond entered August 9, 2000, the State Corporation Commission of the Commonwealth of Virginia was appointed as Receiver of Union and the Deputy Receiver was appointed as the Deputy Receiver of Union with power to appoint a Special Deputy Receiver.

3. The Deputy Receiver, by letter dated August 9, 2000, appointed Melvin J. Dillon Special Deputy Receiver of Union.

4. By order of the Commission entered in this cause on January 9, 2001 (the "Order of Insolvency"), Union was found to be insolvent, and a plan to notify known claimants, and to advertise for claims from unknown claimants, against the assets of Union, and to disburse the assets of Union to policyholders, creditors, and claimants was approved.

5. The Deputy Receiver, acting through the Special Deputy, was authorized and directed to send notices to file proofs of claim to all known claimants against the assets of Union, and to publish a notice of the determination of the insolvency of Union, and of the obligation to file a proof of claim in one or more newspapers of general circulation likely to cover the geographical areas in which Union had policyholders, in order to determine if there were any unknown claims against the assets of Union.

6. The Order of Insolvency further set a "bar date" barring any further claims of any kind against Union, of sixty (60) days from the date of mailing of notice to known claimants, and of ninety (90) days from the date of advertisement for unknown claims.

7. Pursuant to the Order of Insolvency, the Deputy Receiver, acting through the Special Deputy, sent the required

notices to all known claimants on January 26, 2001, and caused to be published a notice of the Order of Insolvency, and a notice to file a proof of claim, as follows:

(a) In the Roanoke Times, Roanoke, Virginia, on January 28, 2001, and February 4, 2001.

(b) In the Richmond Times Dispatch, Richmond, Virginia, on January 28, 2001, and February 4, 2001.

(c) In the Virginian-Pilot, Norfolk, Virginia, on January 28, 2001, and February 4, 2001.

8. Calculated from the date of the notice given to known and unknown claimants, the bar dates pursuant to the Order of Insolvency are March 26, 2001, for known claimants, and April 27, 2001, for all other claimants.

9. Eight proofs were returned as a result of notices sent to known creditors. No proofs of claim were received as a result of the advertisements.

10. The Special Deputy Receiver responded to proofs of claim by sending notices of determination setting a value of each proof of claim to the claimants who returned proofs. The notices of determination also set a thirty-day reply date of June 17, 2001, for appeals if the amount allowed on the claim was disputed. No appeals were received by the Special Deputy Receiver.

11. The assets available to the Deputy Receiver as of October 31, 2001, for distribution to claimants in the estate of Union total \$44,053.00. The Order of Insolvency requires that these assets be distributed in the order of priority established pursuant to § 38.2-1509 of Chapter 15 of Title 38.2 of the Code of Virginia. This priority statute, as applied to the estate of Union, requires the following distribution:

- (a) Administrative Expenses. The total estimated remaining expenses of the receivership and of the Deputy Receiver and Special Deputy Receiver to close the estate of Union total \$5,868.00. These claims can be paid in full.
- (b) Policyholder and Liability Claims. Claims of policyholders, and of persons with claims against policyholders under policies of liability insurance, totaling \$26,939.00, have been approved and will be paid in full.
- (c) The final federal taxes due by Union are estimated to be \$2,586.00. This claim can be paid in full, but the Deputy Receiver requests that this claim not be paid until the Internal Revenue Service accepts the return of Union as a final return.
- (d) There are approved claims of general creditors, totaling \$73,854.00. These claims cannot be paid in

full, but approximately a ten percent (10%) distribution can be made from the remaining assets of Union.

13. Due notice has been given to all persons entitled to notice to file claims against Union. All claims of any nature and kind against Union, and against the Receiver, Deputy Receiver, Special Deputy Receiver, and their employees and agents, which were not filed are barred, except to the extent that such claims have been approved by the Special Deputy Receiver.

14. The Special Deputy should be authorized and directed to distribute the remaining assets of Union as prayed for in the Application.

15. The accounting of the Deputy Receiver filed with the Application as a final accounting is appropriate and should be accepted; the actions and expenditures of the Deputy and Special Deputy should be ratified and approved.

16. The books, documents, and records relating to Union which should be retained are those described in Exhibit B to the Application, and all other books, records, and documents may be retained or destroyed as the Deputy and Special Deputy Receiver may determine in their discretion.

NOW, THEREFORE, IT IS ORDERED THAT:

(1) The claims against the estate of Union as allowed by the Special Deputy are hereby approved;

(2) Any claims against the estate of Union not allowed by the Special Deputy or which have not been previously adjudicated or dealt with in the Union receivership proceeding are hereby forever barred;

(3) A final distribution as proposed in the Application to claimants with claims allowed by the Special Deputy is hereby ordered and approved;

(4) The payment of the closing expenses of the Deputy Receiver, Special Deputy Receiver, and their staff, attorneys, and accountants is hereby ordered and approved;

(5) The reopening of the Union estate for further distribution to claimants in the event additional assets are recovered which make a further distribution economical is hereby authorized;

(6) The final account of the Special Deputy Receiver is hereby approved;

(7) The actions of the Deputy Receiver, Special Deputy Receiver, and their employees, agents, attorneys, and accountants, taken during the course of these proceedings are hereby ratified and approved;

(8) These proceedings are hereby terminated and the Deputy Receiver and his Special Deputy Receiver are hereby discharged;

(9) After the payment of the final distribution to claimants, the transfer pro rata to the general creditors of Union, as requested in the Application, of (i) any funds remaining after the payment of final expenses and (ii) the proceeds of any distribution checks not cleared within ninety (90) days of distribution is hereby authorized and ordered; and

(10) The retention and destruction of records as proposed in Exhibit B to the Application is hereby authorized and ordered.